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SPO 26-217

December 31, 2025

The Honorable Ronald D. Kouchi, President
and Members of the Senate
Thirty-Third Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Nadine K. Nakamura, Speaker
and Members of the House of Representatives
Thirty-Third Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

SUBJECT: Report to the Hawaii State Legislature
As required by Act 262, SLH 2025 – Relating to Small Purchases

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature,

The State Procurement Office respectfully transmits its report on Small Purchase Procurement as required by Act 262, Session Laws of Hawaii 2025 (Senate Bill 383, SD2, HD1, CD 1 – Relating to Small Purchases).

In accordance with Hawaii Revised Statutes Section 93-16, this report may be viewed electronically at https://spo.hawaii.gov/references/reports/.

Sincerely,

Bonnie Kahakui
Administrator

cc: Office of the Senate Clerk
Legislative Reference Bureau

Attachment

State of Hawai‘i



State Procurement Office

REPORT TO THE HAWAII STATE LEGISLATURE

As Required by Act 262, Session Laws of Hawaii 2025
Senate Bill 383, SD2, HD1, CD 1 – Relating to Small Purchases

December 2025

This report may also be viewed electronically on the State Procurement Office's website at

http://spo.hawaii.gov

Click on "References" then "Reports"

Submitted to

The Thirty-Third State Legislature

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Executive Summary

Act 262, Session Laws of Hawaii (SLH) 2025[1] (Senate Bill 383, SD2, HD1, CD1), amended Hawaii Revised Statutes (HRS) §103D-305[2], by raising the threshold for small purchases subject to electronic procurement from $25,000 to $50,000. This legislative change aimed to streamline procurement processes in response to rising costs, labor shortages, and the need for agility during emergency recovery efforts. The State Procurement Office (SPO) was tasked with evaluating the impact of this change and reporting its findings and recommendations to the Hawaii State Legislature no later than 20 days prior to the convening of the Regular Session of 2026.

It is important to note that the post-Act 262 data reflects only the initial 4.5-month period (July 1 through November 15, 2025) of Fiscal Year 2026 and may not provide a comprehensive view of annual procurement activity. This limited timeframe provides an early snapshot of implementation impacts rather than a full-year trend. It is common for programs to accelerate expenditures in the latter part of the fiscal year to fulfill operational objectives and ensure alignment with approved budgetary allocations. Thus, findings should be interpreted as preliminary indicators of performance and compliance.

Assessment Approach

In July 2025, the SPO issued Procurement Circular 2026-02[3] requiring Chief Procurement Officers (as defined in HRS §103D-203[4]) to submit the following data on small purchases:

1. FY 2025 Baseline: Transactions between $15,000 and $25,000, and
2. Post-Act 262: Transactions between $25,000 and $50,000 (July 1 to November 15, 2025).

Key Findings

Baseline (FY 2025):

- **Value Range:** $15,000 to <$25,000
- **Transactions:** 1,962 (12 months), average 164 per month
- **Total Spend:** $39.078 million
- **Average Spend per Transaction:** $19,917
- **Average Total Monthly:** $3.26 million
- **Major Contributors:** University of Hawaii, City & County of Honolulu, County of Maui, Department of Education (85% of spend)

[1] Act 262, Session Laws of Hawaii 2025
[2] Hawaii Revised Statutes §103D-305
[3] Procurement Circular 2026-02 – Act 262, SLH 2025 – Relating to Small Purchases
[4] Hawaii Revised Statutes 103D-203

Post-Act 262 Activity (July 1 – November 15, 2025):

- **Value Range:** $25,000 - <$50,000

  Breakdown:

Value Range	Count
$0 – 24,999.99	178
$25,000 – 49,999.99	175
$50,000+	21

- **Total Transactions:** 374 (4.5 months), average 83 per month
- **Total Spend:** $9,913,243.19 (4.5 months)
- **Average Spend per Transaction:** $26,435
- **Average Total per Month:** $2.2 million
- **Major Contributors:** University of Hawaii (242), County of Maui (52), City & County of Honolulu (40).

Quote Responses Breakdown:

- **One Quote:**
  - 48 transactions (13%)
  - Reasons: *"No other vendor responded," "Only vendor that can provide," or lack of alternative vendors*

- **Two Quotes:**
  - 67 transactions (18%)

- **Three or More Quotes:**
  - 259 transactions (69%) - Common for construction, IT, and vehicle purchases

Notes:

- Executive Branch Departments are not included in the data because they are required to use an eProcurement system for small purchase exceeding $15,000, per CPO of the Executive Branch as authorized by HRS §103D-205.
- Statutory sole source and procurement exemptions were filtered from the data as these require approval from the chief procurement officer and do not require the use of an electronic procurement system. Price and Vendor Lists were also removed as they are competitively procured using an electronic system.
- Approximately 71% of the jurisdictions submitted timely data; some cited ease due to continued use of an eProcurement system.
- Several jurisdictions (Senate, House of Representatives, Hawaii State Public Library System, School Facilities Authority, Maui County Council, and Honolulu Authority for Rapid Transportation) reported that there were no small purchase transactions within the reporting window.

- Purchases under the University of Hawaii system include colleges, research institutions, departments, and programs as established by law or by the Board of Regents, in accordance with HRS Chapter 304A.

Observations:

- Act 262, SLH 2025, was enacted to support disaster recovery efforts by streamlining procurement processes. The SPO finds that the change had negligible effects on procurement efficiency and responsiveness.
- Some transactions with the same vendor within the same period suggest possible procurement violation for parceling (HRS §103D-305), a concern of the SPO.

Recommendations & Actions:

To align with the new statutory small purchase threshold and to maintain procurement integrity, the SPO will update Hawaii Administrative Rules (HAR) §3-122-75 and §3-122-78[5].

[5] Hawaii Administrative Rules 3-122-75 and Hawaii Administrative Rules 3-122-78

Background

MISSION: The SPO acts as a strategic partner to foster public confidence by promoting procurement life-cycle excellence, program success, and government accountability.

VISION STATEMENT: To create transformative leadership for public procurement excellence.

Overview of Procurement in Hawai‘i

The SPO administers, implements, and ensures compliance with the Hawaii Public Procurement Code for the purchases of goods, services, and construction (HRS Chapter 103D), and for purchases of health and human services (HRS Chapter 103F). Procurement also involves related statutes, administrative rules, and agency-specific processes.

Pursuant to HRS §103D-203, as amended by Act 206, SLH 2025[6], the State of Hawaii has 22 Chief Procurement Officer (CPO) jurisdictions:

State Entities:
- Judiciary
- Senate
- House of Representatives
- Office of Hawaiian Affairs
- University of Hawaii
- Department of Education (excluding Hawaii Public Library System)
- Hawaii Health Systems Corporation
- School Facilities Authority
- All other Executive Branch departments and all governmental bodies administratively attached to them

County Entities:
- Executive Branch
- Legislative Branch
- Water Supply Boards
- Public Transit Agencies

The SPO Administrator, also the CPO for 18 departments within the Executive Branch, implements procurement law, directs policy, and manages inventory and surplus programs. Pursuant to HRS §103D-205, each CPO has the authority to direct practices and processes to implement policy, supervise the procurement of all goods, services, and construction, and may adopt operational procedures in the performance of duties for their jurisdiction. Established under HRS §103D-201, the Procurement Policy Board (PPB) adopts and revises associated Hawaii Administrative Rules (HAR) to implement the following provisions:

- HRS Chapter 103D, governing the procurement, management, control, and disposal of all goods, services, and construction
- HRS Chapter 103F, governing the purchase of health and human services.

[6] Act 206, Session Laws of Hawaii 2025 – A Bill for an Act Relating to Procurement

Procurement Legal Authority and References

The following references and documents establish the legal authority, general policy, and minimum standards for soliciting, awarding, processing, executing/overseeing contracts, and managing contract compliance for all CPO jurisdictions:

- HRS Chapter 103D – Hawaii Public Procurement Code
  - https://www.capitol.hawaii.gov/hrscurrent/Vol02_Ch0046-0115/HRS0103D/HRS_0103D-.htm
- HRS Chapter 103F – Purchases of Health and Human Services
  - https://www.capitol.hawaii.gov/hrscurrent/Vol02_Ch0046-0115/HRS0103F/HRS_0103F-.htm
- HAR Chapters 3-120 to 3-132 – Purchases of Goods, Services and Construction
  - https://spo.hawaii.gov/references/har/goods/
- HAR Chapters 3-140 to 3-149 – Purchases of Health and Human Services
  - https://spo.hawaii.gov/references/har/hhs/
- Procurement Circulars (143 active as of December 24, 2025) – Issued by the Administrator of the SPO to transmit policies, procedures, directions, and guidance
  - https://spo.hawaii.gov/references/procurement-circulars/

The SPO is established by statute to manage procurement for all goods, services, construction, and health and human services for Executive Branch departments. Departments are provided delegated authority by the Chief Procurement Officer (Administrator of SPO for Executive Branch entities) and must comply with all state policies and processes developed by the PPB and SPO.

Legislative Proposal: Senate Bill 383

Purpose of Senate Bill 383

Senate Bill (SB) 383, introduced during the 2025 Legislative Session, addressed the rising costs of goods and ensuing procurement challenges faced by the State of Hawaii and its counties. Those challenges were intensified by the COVID-19 pandemic and recent natural disasters, including the 2023 Maui wildfires, and frequent seismic activity and potential volcanic threats on Hawaii Island.

To enable more agile and efficient procurement, particularly during disaster recovery and infrastructure repair, the bill proposed to raise the small purchase threshold to $50,000 to be conducted on an eProcurement system.

Impacts of Senate Bill 383

Numerous State and County agencies testified in support[7] of Senate Bill 383, citing that it was needed due to the increase in the costs of goods and services. However, the State Procurement Office (SPO)'s testimony[8] expressed concerns that raising the threshold for manual procurement processes, while leaving existing limits on electronic procurements intact, may have unintended consequences, including:

- Less transparency and reduced competition. Procurements less than $50,000 may not be viewable or available to all vendors that could be considered, and requests for quotes or bids or even proposals may be solicited to the limited group that a procuring agency deemed to be on a "favorites" list.
- Increased costs.
- Procurement irregularities.
- Risk of restricting competition to a small group of familiar vendors, potentially overlooking a broader range of available vendors and resources.
- Increased risk of parceling, the artificial division of goods, services, and construction in order to evade the statutory competitive requirement.
- Manual and labor-intensive processes. In addition to conducting procurement via manual processes, data would have to be compiled manually. Reverting to dated manual processes is contrary to enhancing operation efficiencies.
- The SPO notes that pursuant to Section 127A-14, Hawaii Revised Statutes, the governor has the authority to declare a state of emergency by proclamation when an emergency or imminent threat exists. In such circumstances, HRS Chapters 103D and 103F may be suspended, which renders the provisions of this bill unnecessary.

Advantages of an Electronic Procurement System

The SPO's testimony also emphasized that using an electronic procurement system ensures accurate, real-time access to procurement data for all jurisdictions, negating the need for manual compilation. Procurement automation enhances transparency and compliance, and reduces operational risk and inefficiencies. In the context of labor shortages, electronic systems provide a critical solution by streamlining processes and minimizing reliance on manual, labor-intensive tasks.

Enacted Legislation

Senate Bill 383, SD2, HD1, CD1 - Relating to Small Purchases, was signed into law as Act 262 by the Governor on July 1, 2025, with the effective date as upon its approval. Act 262, SLH 2025, amended HRS §103D-305, Small purchases; prohibition against parceling, (c) by increasing the minimum amount for purchases constituting small purchases procurements that are subject to an electronic system from $25,000 to $50,000 and thus read as follows:

[7] Testimony on Senate Bill 383, 2025 Legislative Session

[8] SPO Testimony on Senate Bill 383, 2025 Legislative Session

(c) Procurements of $50,000 to less than $250,000 shall be made in accordance with small purchase procedures; provided that these small purchase procurements shall be conducted through an electronic system.

Although Act 262, SLH 2025, raised the statewide threshold for small purchases subject to electronic procurement to $50,000, HRS §103D-205 authorizes the CPOs to adopt rules or policies that are more restrictive than the statute. Exercising this authority, the Executive Branch CPO requires that departments (excluding the Department of Education, School Facilities Authority, the University of Hawaii, Hawaii Health Systems Corporation, and Office of Hawaiian Affairs) to continue to use an electronic system such as HIePRO for small purchase procurements of $15,000 up to, but not exceeding, $100,000. Thus, increase of the small purchase threshold does not apply to the Executive Branch departments.

Key Provisions of Act 262, SLH 2025

The following are key provisions of Act 262, SLH 2025:

- Purchases of $5,000 to under $15,000 require a minimum of three quotes.
- Purchases of $15,000 to under $50,000 require three written quotes.
- Purchases of $50,000 and above mandates the use of electronic procurement system.
- The new threshold applies to purchases of goods, services, and construction.
- The SPO is mandated to submit a report to the Legislature evaluating the effectiveness of this increased threshold.

Implementation Guidance: Procurement Circular

The SPO provided notification of Act 262, SLH, through Procurement Circular 2026-02 distributed to Chief Procurement Officers (CPO) pursuant to HRS §103D-203, which are as follows:

- The Judiciary (JUD), Administrative Director of the Courts
- Senate, President of the Senate
- House of Representatives, Speaker of the House
- Office of Hawaiian Affairs (OHA), Chairperson of the Board
- University of Hawaii (UH), Chief Financial Officer
- Department of Education (DOE), Superintendent
- Hawaii Health Systems Corporation (HHSC), President and Chief Executive Officer
- School Facilities Authority (SFA), Executive Director (added by Act 206, SLH 2025)

- Counties of Hawaii, Kauai, and Maui, and City & County of Honolulu
  - Executive Branch, Finance Director
  - Legislative Branch, Council Chair
  - Board/Departments of Water Supply, Manager/Chief Engineer
  - Honolulu Authority for Rapid Transportation (HART), Executive Director

Through Procurement Circular 2026-02, the SPO provided temporary guidance pending revision to HAR Sections 3-122-75 and 3-122-78 to reflect this statutory change, and guidance agencies must adjust internal procurement procedures to reflect the new $50,000 threshold.

Data Collection Methodology

Procurement Circular 2026-02 also called for data required to complete the mandated report evaluating the effectiveness of this increased threshold. To gather this information for the report, the circular requested the following information:

- **Part I – FY 2025:**

  For the fiscal year ending June 30, 2025, covering purchases from $15,000 to less than $25,000:

  1) Total number of small purchase transactions conducted.
  2) Aggregate dollar value of all small purchase transactions.

  The data for FY 2025 will serve as a baseline and average for small purchases.

- **Part II – July 1 - November 15, 2025:**

  For purchases of $25,000 to less than $50,000 occurring between July 1, 2025, and November 15, 2025:

  1) A list of each individual small purchase transaction.
  2) The dollar value of each transaction.
  3) The number of quotes received for each solicitation.
  4) The name of the awarded vendor for each transaction.

The SPO compiled and reviewed the data to ensure that information includes only purchase made via the small purchase method of procurement. The data does not include purchases made with SPO Price/Vendor List contracts[9] or through cooperative purchasing.

[9] SPO Price and Vendor List contracts (e.g., SPO PL/VL, NASPO ValuePoint) contracts are established by the State Procurement Office to provide standardized pricing and terms for commonly purchased goods and services, ensuring compliance and leveraging economies of scale. For details, see: https://spo.hawaii.gov/for-vendors/price-vendor-lists/.

Summary of Findings

Data Collected

The SPO collected the following data:

- **Part I – FY 2025 Aggregate Transactions ($15,000 to less than $25,000)**

This section captures aggregate small purchase activity across jurisdictions for FY 2025 (July 1, 2024 – June 30, 2025):

FY 2025 Aggregate Transactions ($15,000 to less than $25,000)	
Total Transactions	1,962
Total Dollar Value	**$39,078,067.33**
Average Number of Transactions per Month	**163.5**
Average Dollar Value Per Transaction	**$19,917.46**
Jurisdictions by Total Value of Awards	**Total Value of Awards**
University of Hawaii (Systemwide)	$11,038,586.74 (555 transactions)
City & County of Honolulu (Executive Branch)	$9,057,336.63 (430 transactions)
County of Maui (Executive Branch)	$8,315,461.00 (414 transactions)
Department of Education	$5,073,942.51 (251 transactions)
The aforementioned jurisdictions accounted for 1650 transactions and over 86% of the total dollar value reported.	
Other Jurisdictions (combined)	$5,592,740.45 (312 transactions)

Before Act 262's implementation, small purchase activity was heavily concentrated in the CPO jurisdictions of UH, the City & County of Honolulu, and the County of Maui. This concentration provides a strong baseline for evaluating post-Act 262 changes in competition and the use of eProcurement systems.

The data for FY 2025 serve as a baseline and average for small purchases.

- **Part II – July 1 - November 15, 2025 ($25,000 to less than $50,000):**

This section captures aggregate small purchase activity across jurisdictions for the reporting period July 1 – November 15, 2025. Hundreds of transactions were reported across 20+ Chief Procurement Officer jurisdictions. Some jurisdictions reported that they had no transactions for Part II.

To ensure an accurate assessment of procurement under Act 262, the SPO excluded transactions that were processed through cooperative purchasing agreements or statewide

Price and Vendor List contracts. These mechanisms, such as SPO Price Lists and NASPO[10] ValuePoint agreements are established to standardize pricing and streamline compliance and therefore do not reflect discretionary small purchase decision-making at the agency level. Those transactions were filtered out; the analysis focused on purchases where agencies exercised independent sourcing and pricing decisions within the $25,000 to <$50,000 range. This provided a clearer view of competitive practices and threshold-related trends.

FY 2026 Transactions ($25,000 to less than $50,000)	
Total Transactions	374
Total Dollar Value	$9,913,243.19
Average Dollar Value Per Transaction	**$26,435.32**
Jurisdictions by Total Value of Awards	**Total Value of Awards**
University of Hawaii (Systemwide)	$4,920,437.38 (242 transactions)
County of Maui (Executive Branch)	$2,806,179.16 (52 transactions)
City & County of Honolulu (Executive Branch)	$1,463,065.68 (40 transactions)
Hawaii Health Systems Corporation	$471,116.46 (14 transactions)
County of Maui, Department of Water Supply	$216,197.44 (5 transactions)
Judiciary	$180,245.45 (5 transactions)
The aforementioned jurisdictions accounted for 358 transactions and approximately 94% of the total dollar value reported.	
Other Jurisdictions (combined)	$576,001.62 (16 transactions)

[10] NASPO is the National Association of State Procurement Officials, the nation's leader in public procurement, driving excellence for its members through diverse programs, resources, and initiatives. https://www.naspo.org/

Small Purchase Transactions per Jurisdiction (listed by total value):

Jurisdictions listed by Total Value of Awards	Number of Small Purchase Transactions	Total Value of Awards ($)	Average $ of Small Purchase Transaction Per Jurisdiction
University of Hawaii (Systemwide)	242	4,920,437.38	20,332.39
County of Maui (Executive Branch)	52	2,086,179.16	40,118.83
City & County of Honolulu (Executive Branch)	40	1,463,065.68	36,576.64
Hawaii Health Systems Corporation	14	471,116.46	33,651.18
County of Maui Department of Water Supply	5	216,197.44	43,239.49
Judiciary	5	180,245.45	36,049.09
City & County of Honolulu Board of Water Supply	4	167,405.60	41,851.40
County of Hawaii Executive Branch and Hawaii County Council (combined)	4	137,454.92	34,363.73
County of Kauai Executive Branch and Kauai County Council (combined)	3	107,383.90	35,794.63
County of Kauai Department of Water	2	71,436.98	35,718.49
Department of Education	1	43,516.00	43,516
Office of Hawaiian Affairs	1	26,178.00	26,178.00
County of Hawaii Department of Water Supply	1	22,626.22	22,626.22
TOTAL	**374**	**$9,913.243.19**	

Distribution of Number of Quotes Received:

Quotes Received	Number of Transactions	Percent of Total
1	48	13%
2	67	18%
3	112	30%
4	31	8%
5 or more	116	31%
TOTAL	**374**	**100%**

Notes:

- The Senate, House of Representatives, Hawaii State Public Library System, School Facilities Authority, Maui County Council, and Honolulu Authority for Rapid Transportation reported that there were no small purchase transactions within the reporting window of July 1 to November 15, 2025.
- Statutory sole source and procurement exemptions were filtered from the data as these require approval from the chief procurement officer and do not require the use of an electronic procurement system. Purchases from Price and Vendor Lists were also removed as they are competitively procured using an electronic system.
- Agencies may schedule purchases to meet operational goals and conclude program activities toward the end of the fiscal year. This reflects programs' efforts to align expenditures with approved budgets and ensure that resources are fully utilized.

Observations

The County of Maui Executive Branch posts the largest cluster of transactions across construction, IT renewals, equipment, and facility services (e.g., fencing, AC systems, and surveys). The City & County of Honolulu Executive Branch shows a broad spread across the Departments of Environmental Services, Parks and Recreation, Facility Maintenance, Customer Services, and Transportation Services; Honolulu Police Department; and the Office of the Mayor. Judiciary purchases emphasize courier/armored transport and facility work. HHSC submissions include clinical/maintenance services, IT/medical subscriptions, and consignment agreements.

Comparison of Data for FY 2025 and FY 2026

Fiscal Year	Number of Small Purchase Transactions per Month	Average Spend per Transaction	Average Total per Month
2025 (12 Months) July 1, 2024–June 30, 2025	164	$19,917	$3.26 million
2026 (4.5 Months) July 1, 2025–November 15, 2025	83	$26,435	$2.2 million

Disaster Recovery Impact: Maui and Hawaii Counties

The legislative intent behind Act 262 was to streamline procurement processes for mid-range purchases, improve responsiveness during emergency recovery, and maintain transparency and competition where feasible. By raising the small purchase threshold, Act 262 provided counties with the tools and flexibility to act quickly in restoring critical infrastructure and safeguarding community resilience in the wake of natural disasters.

It is inconclusive that those counties leveraged the flexibility provided by Act 262 to recover from disasters.

Evaluating the Impact of Act 262

As part of its mandate under Act 262, SLH 2025, the SPO evaluated whether the increase in the small purchase threshold from $25,000 to <$50,000 produced unintended consequences mentioned in testimony. The analysis focused on key risk areas identified during SPO's legislative testimony, including transparency, competition, cost implications, compliance, and operational efficiency. Using transaction data collected from July 1 to November 15, 2025, this section examines whether these concerns were substantiated by actual procurement activity and reporting trends.

This section also highlights emerging patterns in small purchase activity observed across the 20 CPO jurisdictions (which excluded the Executive Branch departments) after the enactment of Act 262, SLH 2025.

The purpose is to surface signals – not definitive findings – of activities that can affect competition, price reasonableness, transparency, and compliance.

The SPO organized the trends around pricing patterns, procurement structuring, vendor concentration, and quote distributions. Where relevant, we note risk indicators that typically trigger auditor attention (e.g., clustering near statutory limits, sequential awards for similar goods/services, and "round-number" pricing). These indicators do not, by themselves, establish non-compliance; rather, they help focus management review, market outreach, and process controls (e.g., enforcing minimum quote requirements, strengthening justification narratives, and leveraging statewide contracts/e-procurement).

Most importantly, the trends should be interpreted in context: agencies were operating under post-disaster recovery conditions (e.g., 2024 Maui Wildfires, lava flows and seismic activity on Hawai'i Island), which can compress timelines and reduce available vendors. Even in those conditions, Act 262's threshold change was intended to speed mid-range procurements while preserving documentation, competitive opportunities, and public transparency. The observations that follow are designed to identify areas of improvements so all jurisdictions can maintain agility and strengthen procurement integrity.

Analysis

1. **Less Transparency and Reduced Competition**

   Analysis:

   - 13% of transactions (48 procurements) received only one quote, often citing "no other vendor responded" or "only vendor that can provide", referencing goods and services. The presence of single-quote procurements suggests limited vendor visibility and possible reliance on "preferred" vendors.
   - 18% (67 procurements) received only two quotes.
   - 69% (259 procurements) had three or more quotes.

2. **Increased Costs**
   There was no direct cost comparison provided between pre- and post-Act 262 transactions. However, the monthly average spend of $2.2 million for the $25,000 to $50,000 range is significant, but without baseline cost-per-unit analysis, this concern remains inconclusive. The impact of Act 262 on costs will require deeper cost analysis.

3. **Procurement Irregularities**

   - **"Round Number" Pricing**
     Transactions priced at perfectly rounded figures (e.g., $25,000, $28,000, $31,000) appear throughout the dataset. While round numbers can occur naturally, they sometimes signal estimates that were not competitively tested or "not-to-exceed" agreements lacking detailed cost breakdowns. Auditors often flag these for further review to confirm price reasonableness.

     Examples: The City & County of Honolulu Executive Branch's psychological exam contracts ($28,000 each) and HHSC's "Food Vendor" ($25,000).

   - **Price Clustering Near the $50,000 Ceiling**
     There is a statistically significant "shelf" of 28 transactions priced just below the new electronic procurement threshold between $49,000 and $50,000. This can indicate that purchases are being structured to remain within the small purchase category to avoid bidding using electronic procurement requirement. While this may reflect legitimate scoping, it is a common area of auditor review.

4. **Risk of Restricting Competition**

   Single-quote procurements and repeat vendors indicate the risk of a limited vendor pool.

   A significant number of transactions (48) in the $25,000 to <$50,000 range received only one quote. These were typically justified by a lack of alternative vendors. Some jurisdictions reported challenges in finding qualified vendors for specialized services or in remote locations, which may have led to limited quote responses.

   The data suggested that there is limited outreach or insufficient competition, highlighting the importance of expanding outreach to ensure broader vendor participation, particularly among small, local, and disadvantaged businesses.

   The frequency of single-quote awards raises concerns about limited competition and potential over-reliance on preferred vendors. In contrast, procurements involving construction, IT, and vehicle purchases more frequently attracted three or more quotes, indicating stronger vendor engagement in those sectors.

   While no systemic issues were identified in this reporting period, the SPO recommends that jurisdictions ensure compliance with procurement statutes and best practices to avoid parceling (artificially splitting procurements to avoid thresholds), limited competition, and manual data entry errors.

5. **Increased Risk of Parceling**
   Several instances show multiple awards issued to the same vendor for similar goods or services within a short timeframe. Although these may represent distinct projects, closely timed awards for related items can raise questions about whether requirements were split to stay under the small purchase threshold. This is a standard compliance risk indicator in procurement audits.

6. **Manual and Labor-Intensive Processes**
   Agencies not required to use HIePRO (e.g., DOE, UH, HHSC, OHA) showed varying levels of adoption. This inconsistency may affect the comparability of procurement data and underscores the value of expanding electronic procurement mandates or incentives.

Conclusion

Act 262, SLH 2025, was enacted with the intent to support disaster recovery efforts by streamlining procurement processes and providing greater flexibility for small purchases. This report concludes that the legislation had minimal effect on procurement efficiency and responsiveness. To ensure continued progress and uphold procurement integrity, the SPO update Hawaii Administrative Rules (HAR) §3-122-75 and §3-122-78 to align with the new statutory threshold, ensuring consistency and clarity across all jurisdictions.

These initiatives aim to safeguard accountability, fiscal responsibility, and public trust, while positioning Hawaii’s procurement system for greater resilience and adaptability in meeting statewide needs.

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Attachments

1 Act 262, Session Laws of Hawaii 2025 (Senate Bill 383, SD2, HD1, CD1)

2 Hawaii Revised Statutes §103D-305

3 Procurement Circular 2026-02: Act 262, SLH 2025 – Relating to Small Purchases

4 Hawaii Revised Statutes §103D-203

5 Hawaii Administrative Rules 3-122-75 and 3-122-78

6 Testimony on Senate Bill 383

7 SPO's Testimony on Senate Bill 383

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ATTACHMENT 1

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

GOV. MSG. NO. 1365

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

July 1, 2025

The Honorable Ronald D. Kouchi
President of the Senate,
and Members of the Senate
Thirty-Third State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Nadine Nakamura
Speaker, and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Aloha President Kouchi, Speaker Nakamura, and Members of the Legislature:

This is to inform you that on July 1, 2025, the following bill was signed into law:

S.B. NO. 383, S.D. 2, H.D. 1, C.D. 1 — RELATING TO SMALL PURCHASES. **ACT 262**

Mahalo,

Josh Green M.D.

Josh Green, M.D.
Governor, State of Hawai'i

Approved by the Governor
on JUL 1 2025

ATTACHMENT 1

THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

ACT 262

S.B. NO. 383 S.D. 2 H.D. 1 C.D. 1

A BILL FOR AN ACT

RELATING TO SMALL PURCHASES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that escalating costs of goods over the years, particularly during the COVID-19 pandemic, have created numerous difficulties regarding small purchase procurement. The legislature further finds that the frequency of earthquakes on Hawaii island, an indicator of a future potentially devastating volcanic eruption that could impact residential and commercial areas, as well as the devastation from the tragic 2023 Maui wildfires, emphasize the inescapable need to address issues with small purchase procurements to facilitate more efficient disaster recovery efforts.

Accordingly, the purpose of this Act is to:

(1) Increase the minimum amount for purchases constituting small purchase procurements that are subject to an electronic system, from $25,000 to $50,000; and

(2) Require the state procurement office to submit a report to the legislature on the efficacy of the increased minimum small purchase procurement amounts.

SECTION 2. Section 103D-305, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) Procurements of [~~$25,000~~] $50,000 to less than $250,000 shall be made in accordance with small purchase procedures; provided that [~~such~~] these small purchase procurements shall be conducted through an electronic system [~~shall be required~~]."

SECTION 3. No later than twenty days prior to the convening of the regular session of 2026, the state procurement office shall submit to the legislature a report of its findings and recommendations, including any proposed legislation, on the efficacy of the amendment to section 103D-305, Hawaii Revised Statutes, made by section 2 of this Act.

SECTION 4. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.

ATTACHMENT 1

S.B. NO. 383 S.D. 2 H.D. 1 C.D. 1

APPROVED this 1st day of July , 2025



GOVERNOR OF THE STATE OF HAWAI'I

S.B. No. 383, S.D. 2, H.D. 1, C.D. 1

THE SENATE OF THE STATE OF HAWAI'I

Date: April 30, 2025
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-Third Legislature of the State of Hawai'i, Regular Session of 2025.

President of the Senate

Clerk of the Senate

ATTACHMENT 1

SB No. 383, SD 2, HD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 30, 2025
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Third Legislature of the State of Hawaii, Regular Session of 2025.

Nadine K. Nakamura
Speaker
House of Representatives

Brian L. Takeshita
Chief Clerk
House of Representatives

§103D-305 Small purchases; prohibition against parceling. (a) Procurements of less than $100,000 for goods or services, or $250,000 for construction shall be made in accordance with procedures set forth in rules adopted by the policy board that are designed to ensure administrative simplicity and as much competition as is practicable; provided that multiple expenditures shall not be created at the inception of a transaction or project so as to evade the requirements of this chapter; and provided further that procurement requirements shall not be artificially divided or parceled so as to constitute a small purchase under this section.

(b) Procurements greater than $50,000 for construction under subsection (a) shall require security by performance and payment bonds, pursuant to section 103D-324, delivered to the procurement officer, that are:

(1) In a form prescribed by the rules of the policy board;

(2) Executed by a surety company authorized to do business in this State; and

(3) In an amount equal to one hundred per cent of the price specified in the contract,

or shall otherwise be secured by a performance bond in a manner satisfactory to the procurement officer.

(c) Procurements of $25,000 to less than $250,000 shall be made in accordance with small purchase procedures; provided that such small purchase procurements through an electronic system shall be required. [L Sp 1993, c 8, pt of §2; am L 1994, c 186, §10; am L 1995, c 178, §11; am L 1997, c 352, §8; am L 2006, c 283, §2; am L 2009, c 175, §§2, 14(1); am L 2010, c 107, §1; am L 2012, c 173, §§2, 5]

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ATTACHMENT 3

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

BONNIE KAHAKUI
ADMINISTRATOR

STATE OF HAWAIʻI | KA MOKUʻĀINA O HAWAIʻI
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
http://spo.hawaii.gov

July 21, 2025

PROCUREMENT CIRCULAR NO. 2026-02

TO: Chief Procurement Officers (CPOs):
Department of Education, Superintendent
School Facilities Authority, Executive Director
University of Hawaii, Chief Financial Officer
Office of Hawaiian Affairs, Chairperson of the Board
Hawaii Health Systems Corporation, President and Chief Executive Officer
The Judiciary, Administrative Director of the Courts
Senate, President
House of Representatives, Speaker

Counties of Hawaii, Kauai, and Maui, and City & County of Honolulu
Executive Branch, Finance Director
Legislative Branch, Council Chair
Board/Departments of Water Supply, Manager/Chief Engineer
Honolulu Authority for Rapid Transportation, Executive Director

CC: Administrative Services Offices

FROM: Bonnie Kahakui, Administrator

SUBJECT: Act 262, SLH 2025 (SB 383, SD2, HD1, CD1) – Relating to Small Purchases

Act 262, SLH 2025, was signed into law effective July 1, 2025, and revised Section 103D-305, Hawaii Revised Statutes, by increasing the small purchase threshold from $25,000 to $50,000 when the use of an electronic procurement system is required. As a result, Sections 3-122-75 and 3-122-78 of the Hawaii Administrative Rules (HAR) will need to be revised to reflect this statutory change.

Interim Procurement Guidance
In the interim, procurement jurisdictions opting to adopt the new threshold are expected to apply **Small Purchase** procurement procedures for goods, services, and construction based on clear and adequate specifications and to ensure fair competition:

1) $5,000 to under $15,000 – Jurisdictions shall solicit a minimum of three quotes.
2) $15,000 to under $50,000 – Jurisdictions shall obtain at least three written quotes.

Pursuant to the revised thresholds established under Act 262, SLH 2025, Small Purchase procurements for goods, services, and construction shall be conducted through an electronic procurement system as follows:

- Goods and Services – For expenditures from $50,000 to less than $100,000.
- Construction – For expenditures $50,000 to less than $250,000.

All solicitations within these value ranges shall comply with competitive procedures and documentation requirements specified in **HRS §103D-305**, as amended.

Reporting Requirement under Act 262, SLH 2025
Pursuant to Act 262, SLH 2025, the State Procurement Office (SPO) is tasked with submitting a report to the State Legislature evaluating the efficacy of the revised small purchase threshold. This report shall be submitted no later than twenty (20) days prior to the convening of the 2026 Legislative Session. To fulfill this mandate, all Chief Procurement Officer (CPO) jurisdictions shall provide the following information:

Part I – FY 2025:
For the fiscal year ending June 30, 2025, covering purchases from $15,000 to less than $25,000:

1) Total number of small purchase transactions conducted.
2) Aggregate dollar value of all small purchase transactions.

Part II – July 1 - November 15, 2025:
For purchases of $25,000 to less than $50,000 occurring between July 1, 2025, and November 15, 2025:

1) A list of each individual small purchase transaction.
2) The dollar value of each transaction.
3) The number of quotes received for each solicitation.
4) The name of the awarded vendor for each transaction.

Jurisdictions are asked to ensure that data submissions are accurate and complete, and may use the hyperlinked template or an alternative format to provide all the aforementioned information requested. Please submit this information to the SPO via email to state.procurement.office@hawaii.gov by close of business, Friday, November 21, 2025.

It is advised that departments be completely familiarized with the entire amendments made to the subject sections of HRS 103D. A complete listing of all current Procurement Circulars is available at https://spo.hawaii.gov/, under the *References* menu, click on *Procurement Circulars*.

Questions concerning this Procurement Circular may be directed to Carey Ann Sasaki at (808) 586-0568 or email careyann.r.saski@hawaii.gov, or you may contact me at (808) 587-4701 or email bonnie.a.kahakui@hawaii.gov.

Mahalo.

Hyperlink to template

ATTACHMENT 3

Name of Jurisdiction	
Name of Person Completing Worksheets	
Position Title	
Email	
Phone	

Checklist

Complete CPO Info

Complete tab for FY 2025 (Part I)

Complete tab for 7/1/25 - 11/15/25 (Part II)

Submit by COB 11/21/25 to state.procurement.office@hawaii.gov

ATTACHMENT 3

Part 1 - Aggregate Transactions ($15,000 - $25,000) for FY 2025

Purpose: To capture summarized procurement data for small purchases from July 1, 2024, through June 30, 2025, with value ranging from $15,000 to less than $25,000.

Jurisdiction Name: _____

Total Number of Transactions	Total Dollar Value	Notes (optional comments)

ATTACHMENT 3

Part II - Detailed Transactions, July 1 - November 15, 2025

Purpose: To capture detailed records for each small purchase transaction with a value between $25,000 and less than $50,000 conducted between July 1, 2025 and November 15, 2025.

Jurisdiction Name: _____

Transaction Date (Date the purchase order or award was finalized.)	Transaction ID (Internal or system-generated referene number for the procurement)	Purchase Description (Brief summary of the goods, services, or construction procured)	Dollar Value (Final awarded amount for the transaction)	Number of Quotes Received (Total number of valid quotes received prior to award)	Awarded Vendor	Notes (Optional Remarks)

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§103D-203 Chief procurement officers. (a) *[Repeal and reenactment on June 30, 2028. L 2024, c 111, §§3, 5(1).]* The chief procurement officer for each of the following state entities shall be:

(1) The judiciary--the administrative director of the courts;
(2) The senate--the president of the senate;
(3) The house of representatives--the speaker of the house of representatives;
(4) The office of Hawaiian affairs--the chairperson of the board;
(5) The University of Hawaii--the chief financial officer of the University of Hawaii;
(6) The department of education, excluding the Hawaii public library system--the superintendent of education;
(7) The Hawaii health systems corporation--the chief executive officer of the Hawaii health systems corporation; and
(8) The remaining departments of the executive branch of the State and all governmental bodies administratively attached to them--the administrator of the state procurement office of the department of accounting and general services.

(b) The chief procurement officers for each of the several counties shall be:

(1) The executive branch--the respective finance directors of the several counties, except as provided in paragraphs (3), (4), and (5);
(2) The legislative branch--the respective chairpersons of the councils of the several counties;
(3) The Honolulu, Kauai, and Maui boards or departments of water supply--the managers and chief engineers of the respective boards or departments of water supply as designated by county charter;
(4) The Hawaii board of water supply--the manager of the board of water supply as designated by county charter; and
(5) The semi-autonomous public transit agency--the director of the agency as designated by county charter;

provided that the chief procurement officers designated under paragraphs (1), (2), (3), (4), and (5) shall not exercise their powers or duties over contracting in a manner contrary to the respective county's charter, ordinances, or rules adopted in accordance with chapter 91.

(c) For purposes of applying this chapter to the judiciary, houses of the legislature, office of Hawaiian affairs, University of Hawaii, department of education, remaining departments of the executive branch and all governmental bodies administratively attached to them, and the several counties, unless otherwise expressly provided, "State" shall mean "judiciary", "state senate", "state house of representatives", "office of Hawaiian affairs", "University of Hawaii", "department of education", "executive branch", "county", "board of water supply" or "department of water supply", and "semi-autonomous public transit agency", respectively. [L Sp 1993, c 8, pt of §2; am L 1994, c 186, §8 and c 193, §§2, 5; am L 1996, c 262, §27; am L 1997, c 352, §§5, 19; am L 1999, c 149, §14; am L 2004, c 216, §17; am L 2006, c 283, §1; am L 2011, c 131, §2; am L 2013, c 87, §2; am L 2018, c 42, §§2, 6; am L Sp 2021, c 8, §§12, 16(3); am L 2024, c 111, §2]

Case Notes

Chief procurement officer authorized under §103D-204 (pre-1997) and this section to make substantial interest determination under §103D-701(f) for public library system was superintendent of education and not administrator of state procurement office. 85 H. 431, 946 P.2d 1.

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subchapter:

"Adequate and reasonable competition" means the amount of vendors solicited based upon the number of vendors available and the value or price of the goods, service, or construction. Because of variations in circumstances, it is not possible to define what is adequate and reasonable competition for every small procurement. However, in general, the more vendors there are that can meet the needs of the agency, or the higher the price of the goods, services, or construction, then a greater number of vendors should be solicited. [Eff 12/15/95; comp 11/17/97; comp MAR 21 2008] (Auth: HRS §§103D-202, 103D-305) (Imp: HRS §§103D-104, 103D-305)

§3-122-74 General provisions. (a) Small purchases shall be subject to section 103D-305, HRS, and do not require public notice or public bid openings.

(b) Small purchase contracts for professional services may be procured pursuant to this subchapter or section 103D-304(j), HRS; provided that small purchase of design professional services furnished by licensees under chapter 464, HRS, shall be procured in accordance with section 103D-304, HRS.

(c) Unless otherwise exempt, purchasing agencies delegated small purchase authority shall comply with state procurement office price or vendor lists, price schedules, or other chief procurement officer lists and schedules, where applicable.

(d) Purchases shall not be parceled by dividing the purchase of same, like, or related items of goods, services, or construction into several purchases of smaller quantities, so as to evade the statutory competitive bidding requirements. For additional details, refer to chapter 3-131.

(e) Preferences pursuant to part X, chapter 103D, HRS, shall not apply to small purchases. [Eff 12/15/95; am and comp 11/17/97; am and comp MAR 21 2008] (Auth: HRS §§103D-202, 103D-305) (Imp: HRS §103D-305)

§3-122-75 Goods, services, and construction. (a) Based on specifications and with adequate and reasonable competition:

(1) No less than three quotes shall be solicited

for expenditures of $5,000 to less than $15,000;

(2) No less than three written quotes shall be obtained for expenditures of $15,000 to less than $25,000; and

(3) For the period up to and including June 30, 2007, no less than three written quotes shall be obtained for expenditures of $25,000 to less than $50,000.

(b) Only vendors that supply the goods, services, or construction required, shall be solicited and considered to meet the minimum quotation requirements.

(c) Considering the criteria, including but not limited to quality, warranty, and delivery; award shall be made to the lowest responsive, responsible offeror.

(d) When award to the lowest responsive, responsible offeror is not practicable, award shall be made to the offeror whose quotation provides the best value to the State. Written determination for the selection shall be placed in the procurement file.

(e) When the minimum quotations are not obtained, for reasons such as insufficient sources, written justification shall be placed in the procurement file.

(f) Expenditures with an estimated total cost that are less than $5,000 shall be by procedures established by each chief procurement officer.

(g) Chief procurement officers may be more restrictive in their jurisdiction's small purchase procedures, e.g., requiring written quotes at lower dollar limits. [Eff 12/15/95; am and comp 11/17/97; am and comp MAR 21 2008] (Auth: HRS §§103D-202, 103D-305) (Imp: HRS §103D-305)

§3-122-76 REPEALED. [R MAR 21 2008]

§3-122-77 Procurement file and disclosure of information. All quotations received shall be recorded and placed in a procurement file. Pursuant to section 3-122-9.01, a purchasing agency is not required to disclose quotation information received from vendors until the purchase order is issued or the purchasing card order is placed. [Eff 12/15/95; am and comp 11/17/97; am and comp MAR 21 2008] (Auth: HRS §§103D-202, 103D-305) (Imp: HRS §103D-305)

§3-122-78 Electronic procurement. (a) Effective July 1, 2007, small purchase procurements of $25,000 to less than $50,000 shall be made through an electronic procurement system.

(b) This section shall not apply to procurements subject to sections 103D-306 and 103D-307, HRS.

(c) The electronic procurement system shall include at a minimum, the functionality of notifying registered vendors of the procurement opportunity and the electronic receipt of offers.

(d) If no responsive, responsible quotes, or reasonable prices are received through an electronic procurement solicitation, the head of the purchasing agency or designee may determine that it is neither practicable, nor advantageous to the State to issue a new solicitation.

(1) When making this determination, consideration shall be given to whether the specifications can be revised, time constraints, and competition in the marketplace;

(2) In the event of this determination, an alternative procurement method may be selected to include, but not limited to, direct negotiations; and

(3) Documentation of the alternative procurement determination shall be made part of the procurement file.

(e) Procurements of goods, services, or construction of $25,000 to less than $50,000, which cannot be purchased through an electronic procurement system may be conducted pursuant to sections 103D-302, 103D-303, and 103D-304, HRS.

(f) The chief procurement officer may determine what goods, services, or construction, less than $25,000 will be made through an electronic procurement system. [Eff and comp MAR 21 2008] (Auth: HRS §§103D-202, 103D-305) (Imp: HRS §103D-305)

§§3-122-79 to 3-122-80 (Reserved).

SUBCHAPTER 9

SOLE SOURCE PROCUREMENT

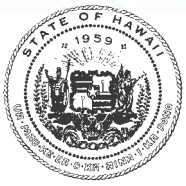
§3-122-81 General provisions. (a) Sole source

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ATTACHMENT 6

JOSH B. GREEN, M.D.
GOVERNOR

STACEY A. ALDRICH
STATE LIBRARIAN



STATE OF HAWAIʻI
HAWAIʻI STATE PUBLIC LIBRARY SYSTEM
ʻOIHANA HALE WAIHONA PUKE AUPUNI O KA MOKUʻĀINA O HAWAIʻI
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

SENATE COMMITTEE ON GOVERNMENT OPERATIONS
Tuesday, January 28, 2025
3:00 pm
Conference Room 225 & Videoconference

By Stacey A. Aldrich
State Librarian

S.B. 383 RELATING TO SMALL PURCHASES

To: Sen. Angus L.K. McKelvey, Chair
Sen. Mike Gabbard, Vice Chair
Members of the Senate Committee on Government Operations

The Hawaii State Public Library System (HSPLS) **supports** S.B.383, which raises the procurement threshold for small purchases from $25,000 to $50,000.

The cost of supplies, equipment, construction materials and services have risen rapidly, and the current procurement threshold creates a hindrance in managing the volume and diversity of the Hawaii State Public Library System's buying activities. The proposed $50,000 procurement threshold is a sensible response to today's purchasing environment and the increased cost of supplies and materials, particularly with respect to necessary repairs and maintenance at our facilities.

Thank you for the opportunity to provide testimony on S.B. 383.

ATTACHMENT 6

LATE

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

January 28, 2025
3:00 p.m.
State Capitol
Conference Room 225 & Videoconference

S.B. 383
RELATING TO SMALL PURCHASES

The Senate Committee on Government Operations

The Department of Transportation **supports** the bill that proposes to increase the minimum amount for small purchase procurements from $25,000 to $50,000, and the procurement report to the legislature.

The amendment to Section 103D-305, Hawaii Revised Statutes, to increase the minimum amount for small purchase procurements to $50,000 to less than $250,000 because of the increase in costs to goods and services algins with the procurement code as the competition requirements remain.

At times, there is need to procure a limited number of quantities or a limited amount of services which do not rise to the quantities for formal Invitation for Bids and this proposed bill allows for the operations to continue for this limited use.

Thank you for the opportunity to provide testimony.

ATTACHMENT 6

LATE

RICHARD T. BISSEN, JR.
Mayor

JOSIAH K. NISHITA
Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAI'I 96793
www.mauicounty.gov

TO: Senator Angus L.K. McKelvey, Chair
Senator Mike Gabbard, Vice Chair
Committee on Government Operations

FROM: Richard T. Bissen, Jr., Mayor
Marcy Martin, Director of Finance

DATE: January 27, 2025

SUBJECT: **SUPPORT OF SB383, RELATING TO SMALL PURCHASES**

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The Act increases the minimum amount for purchases constituting small purchase procurements from $25,000 to $50,000 and requires the state procurement office to submit a report to the legislature on the efficacy of the increased procurement amounts.

We **SUPPORT** this measure for the following reasons:

1. This bill will allow the County to more efficiently and quickly obtain smaller-dollar goods, services, and construction using existing, tried-and-tested methods, without increasing turnaround time or the workload on existing staff that would be required if utilizing an electronic system to obtain quotes.

2. This bill would still allow for adequate competition, which is already limited given our geographical location. Vendors who already submit both written and verbal quotes for small purchases are typically the same vendors submitting formal bids electronically

Mahalo for your consideration.

ATTACHMENT 6

JOSH B. GREEN, M.D.
GOVERNOR

STACEY A. ALDRICH
STATE LIBRARIAN



STATE OF HAWAIʻI
HAWAIʻI STATE PUBLIC LIBRARY SYSTEM
ʻOIHANA HALE WAIHONA PUKE AUPUNI O KA MOKUʻĀINA O HAWAIʻI
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, February 18, 2025
10:01am
Conference Room 211 & Videoconference

By Stacey A. Aldrich
State Librarian

S.B. 383 SD1 RELATING TO SMALL PURCHASES

To: Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

The Hawaii State Public Library System (HSPLS) **supports** S.B.383 SD1 which increases the minimum amount for purchases constituting small purchase procurements from $25,000 to $50,000 and requires a report to the Legislature.

The cost of supplies, equipment, construction materials and services have risen rapidly since the current threshold amount was established, creating a hindrance in managing the volume and diversity of the Hawaii State Public Library System's buying activities. The proposed $50,000 procurement threshold is a sensible response to today's purchasing environment and the increased cost of supplies and materials, particularly with respect to necessary repairs and maintenance at our facilities.

We appreciate the State Procurement Office's concerns about ensuring the integrity of the State's procurement code. However, not increasing the threshold for small purchases to keep up with the rising cost of goods and services contradicts the purpose of providing departments and agencies with the ability to quickly pursue small purchases.

Thank you for the opportunity to provide testimony on S.B. 383 SD1.

SB-383-SD-1
Submitted on: 2/17/2025 9:59:27 AM
Testimony for WAM on 2/18/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Elgin Arquero	Testifying for Honolulu Police Department	Comments	Written Testimony Only

Comments:

I am a Major with the Honolulu Police Department. The HPD agrees with the intent of SB383 to increase the small purchase threshold from its current $25,000. SB254, submitted with the County Mayors Legislative Package, introduced an increase from $25,000 to $100,000. The HPD recommends an increase to $100,000. The current procurement law was last updated in 1997.

ATTACHMENT 6

OFFICE OF THE MAYOR
KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAI'I 96813
PHONE: (808) 768-4141 • FAX: (808) 768-4242 • WEBSITE: honolulu.gov

RICK BLANGIARDI
MAYOR
MEIA

MICHAEL D. FORMBY
MANAGING DIRECTOR
PO'O HO'OKELE

KRISHNA F. JAYARAM
DEPUTY MANAGING DIRECTOR
HOPE PO'O HO'OKELE

February 16, 2025

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
and Members of the Senate Committee on Ways and Means
State Senate
415 South Beretania Street
Honolulu, Hawai'i 96813

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Subject: SB 383 – Relating to Small Purchases

The City and County of Honolulu **supports** SB 383 which would increase the small purchase threshold for certain procurement procedures. However, we would note that there are additional areas within the procurement code which need to be changed to achieve the intended purpose of this measure.

In 2024, as part of the HI Council of Mayors Bill Package, HB 1862 and SB 2202 were introduced to address this same issue covered by SB 383. However, we realized that this single change does not address the multiple areas of small purchases that have become bottlenecks with inflation. As a result, this year we introduced HB 382 and SB 254 which would address two additional areas within the small purchase process, those involving electronic purchases and HCE compliant purchases.

As noted in HB382 and SB254, these dollar amount thresholds have not been adjusted since 1997. Inflation, especially in the last few years, has greatly increased the cost of goods and services across the country, thereby reducing procurement actions that qualify as a small purchase. The adverse impact is an increase to the administrative burden and time required to procure goods and services for government operations and services.

I strongly believe that these changes will help the City and County of Honolulu, as well as all other Hawai'i State and County agencies, better and more effectively serve its residents and humbly suggest that the additional language in HB 382 and SB 254 be inserted to address the small purchase thresholds involving electronic purchases and HCE compliant purchases.

Thank you for the opportunity to testify on this measure,

Sincerely,

Michael D. Formby
Managing Director Designate

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

ATTACHMENT 6

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 27, 2025
2:00 p.m.
State Capitol
Conference Room 308 & Videoconference

S.B. 383 S.D. 2
RELATING TO SMALL PURCHASES

The House Committee on Finance

The Department of Transportation **supports** the bill that proposes to increase the minimum amount for small purchase procurements conducted on an eProcurement system from $25,000 to $50,000, and the procurement report to the legislature. The amendment to Section 103D-305, Hawaii Revised Statutes, to increase the minimum amount for small purchase procurements to $50,000 to less than $250,000 because of the increase in costs to goods and services algins with the procurement code as the competition requirements remain.

At times, there is need to procure a limited number of quantities or a limited amount of services which do not rise to the quantities for formal Invitation for Bids and this proposed bill allows for the operations to continue for this limited use.

Thank you for the opportunity to provide testimony.

ATTACHMENT 6

OFFICE OF THE MAYOR
KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU

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March 25, 2025

The Honorable Kyle T. Yamashita, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance
State House
415 South Beretania Street
Honolulu, Hawai'i 96813

Dear Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

SUBJECT: SB 383 SD2 – Relating to Small Purchases

The City and County of Honolulu **supports** SB 383 which would increase the small purchase threshold for certain procurement procedures. However, we would note that there are additional areas within the procurement code which need to be changed to achieve the intended purpose of this measure.

In 2024, as part of the HI Council of Mayors Bill Package, HB 1862 and SB 2202 were introduced to address this same issue covered by SB 383. However, we realized that this single change does not address the multiple areas of small purchases that have become bottlenecks with inflation. As a result, this year we introduced HB 381 and SB 254 which would address two additional areas within the small purchase process, those involving electronic purchases and HCE compliant purchases.

As noted in HB381 and SB254, these dollar amount thresholds have not been adjusted since 1997. Inflation, especially in the last few years, has greatly increased the cost of goods and services across the country, thereby reducing procurement actions that qualify as a small purchase. The adverse impact is an increase to the administrative burden and time required to procure goods and services for government operations and services.

I strongly believe that these changes will help the City and County of Honolulu, as well as all other Hawai'i State and County agencies, better and more effectively serve its residents and humbly suggest that the additional language in HB 381 and SB 254 be inserted to address the small purchase thresholds involving electronic purchases and HCE compliant purchases.

Thank you for the opportunity to testify on this measure,

Sincerely,

FM

Michael D. Formby
Managing Director

ATTACHMENT 7

JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

BONNIE KAHAKUI
ADMINISTRATOR

STATE OF HAWAIʻI | KA MOKUʻĀINA O HAWAIʻI
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
http://spo.hawaii.gov

TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
JANUARY 28, 2025; 3:00 PM

SENATE BILL 383
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 383. The State Procurement Office (SPO) respectfully opposes this bill, which increases the threshold in which an electronic procurement system is required to be used. These changes impact the purpose of the Hawaii Procurement Code, which is "to foster effective broad-based competition within the free enterprise."

Raising the minimum threshold to $50,000 to be conducted on an eProcurement system would result in less transparency, reduced competition which may lead to increased costs, procurement irregularities, and higher risk of parceling which is the artificial division of goods, services, and construction in order to evade the statutory competitive requirement.

Procurements less than $50,000 may not be viewable or available to all vendors that could be considered, and requests for quotes or bids or even proposals may be solicited to the limited group that a procuring agency deemed to be on "favorites" list.

As the table indicates, there are a number of substantial transactions which fall into this category. That is $15 MILLION to $18 MILLION in transactions each fiscal year that would be impacted.

Fiscal Year	Small Purchase Transactions Under $50,000	Awarded Amounts
2023	728	$18,140,833.27
2024	662	$15,947,218.44

All jurisdictions should be utilizing technological advances rather than resorting to labor-intensive, manual processes. Reverting to dated manual processes is contrary to enhancing operation efficiencies. Procurement automation is one way to supplement processes in the wake of labor shortages. By using an electronic procurement system, accurate procurement data should be immediately available to jurisdictions, negating the need for agencies to compile data manually.

Thank you for the opportunity to submit testimony on this measure.

ATTACHMENT 7

JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

BONNIE KAHAKUI
ADMINISTRATOR

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TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
WAYS AND MEANS
FEBRUARY 18, 2025, 10:01 AM

SENATE BILL 383, SD1
RELATING TO PROCUREMENT

Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 383, SD1. The State Procurement Office (SPO) opposes this bill, which increases the threshold in which an electronic procurement system is required to be used. These changes impact the purpose of the Hawaii Procurement Code, which is "to foster effective broad-based competition within the free enterprise."

The SPO acknowledges that escalating costs of goods and services, as well as natural disasters, have created numerous difficulties regarding procurement. However, raising the minimum threshold to $50,000 to be conducted on an eProcurement system would result in less transparency, reduced competition which may lead to increased costs, procurement irregularities, and higher risk of parceling, which is the artificial division of goods, services, and construction in order to evade the statutory competitive requirement.

Additionally, procurements less than $50,000 will not be viewable or available to all vendors, that could be considered, and requests for quotes or bids may be solicited to the limited group that a procuring agency deemed to be on "favorites" list.

As the table below indicates, hundreds of transactions fall into this category. In fiscal years 2023 and 2024, transactions under $50,000 were valued at $15 MILLION to $18 MILLION.

Fiscal Year	Small Purchase Transactions Under $50,000	Awarded Amounts
2023	728	$18,140,833.27
2024	662	$15,947,218.44

All jurisdictions should be utilizing technological advances rather than resorting to labor-intensive, manual processes. Reverting to dated manual processes is contrary to enhancing operation efficiencies. Procurement automation is one way to supplement processes in the wake of labor shortages. By using an electronic procurement system, accurate procurement data should be immediately available to jurisdictions, negating the need for agencies to compile data manually.

Thank you for the opportunity to submit testimony on this measure.

ATTACHMENT 7

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KE KIAʻĀINA

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TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE COMMITTEE
ON
FINANCE

MARCH 27, 2025; 2:00 PM

SENATE BILL 383, SD2
RELATING TO SMALL PURCHASES

Chair Yamashita, Vice Chair Takenouchi, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 383, SD2. The State Procurement Office (SPO) opposes this bill, which increases the threshold in which an electronic procurement system is required to be used. These changes negatively impact the purpose of the Hawaii Procurement Code, which is "to foster effective broad-based competition within the free enterprise" and resorts back to manual processes to request quotes.

The SPO acknowledges that escalating costs of goods and services, as well as natural disasters, have posed significant challenges in procurement. During such events, exemptions from the Chapter 103D Hawaii Revised Statutes, the Hawaii Procurement Code, have been allowed through the Governor's emergency proclamations. However, increasing the minimum threshold for all purchases of goods, services, and construction to $50,000 conducted on an electronic system, also referred to as procurement automation, would diminish transparency, reduce competition – potentially increased costs -- introduce procurement irregularities and heighten the risk of parceling, the deliberate and artificial division of purchases of goods, services, and construction in to circumvent statutory competitive requirement.

Additionally, procurements less than $50,000 will not be viewable or available to all vendors that could be considered, and requests for quotes or bids may be solicited to the limited group that a procuring agency deemed to be on "favorites" list.

As the table of data below indicates, hundreds of transactions fall into this category. In fiscal years 2023 and 2024, transactions under $50,000 were valued at $15 MILLION to $18 MILLION.

Fiscal Year	Small Purchase Transactions Under $50,000	Awarded Amounts
2023	728	$18,140,833.27
2024	662	$15,947,218.44

The SPO emphasizes that all jurisdictions should be utilizing technological advances rather than resorting to labor-intensive manual processes. Reverting to outdated manual processes hinders operational efficiencies. Electronic procurement/procurement automation serves as a valuable solution, especially in addressing labor shortages. By using an electronic procurement system, accurate procurement data is immediately available to agencies, negating the need for them to compile data manually.

Thank you for the opportunity to submit testimony on this measure.